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SUBJECT: REPORTS OVERSTATE CHINA'S AID TO ASEAN

REF: A. BEIJING 288
[1](#)B. BANGKOK 951

Classified By: Deputy Economic Minister Counselor Robert W. Forden. Re
asons 1.4 (b/d)

[1](#)1. (C) Summary. There is less to China's much-heralded April 12 announcement of a multi-billion dollar aid package to ASEAN than media reporting suggests, according to a Chinese Foreign Ministry contact. For example, the \$10 billion investment cooperation fund will only receive \$1 billion in initial funding from Beijing. Other assistance is primarily commercial lending or capacity building. The disruption of the ASEAN summit in Thailand indefinitely postponed the signing of the last chapter of the China-ASEAN FTA on investment. While our MFA contact noted little activity within the political and social pillars of ASEAN, she stated that China was following with interest developments related to the ASEAN Human Rights Body. End Summary.

[1](#)2. (U) Chinese Foreign Minister Yang Jiechi on April 12 announced a multi-billion dollar package of aid and credit to ASEAN nations. According to news reports, the package will: establish a China-ASEAN investment cooperation fund totaling USD \$10 billion for use on infrastructure construction, energy and resources and, information and communication; provide \$15 billion in credit to ASEAN countries over the next three to five years, including \$1.5 billion in preferential loans; extend \$39.7 million in special aid to Cambodia, Laos and Burma; inject \$5 million into the China-ASEAN Cooperation Fund and; donate \$900,000 to the cooperation fund of ASEAN plus China, Japan and the Republic of Korea (ROK).

\$10 Billion, \$1 Billion - Who's Counting?

[1](#)3. (C) The press reports regarding these assistance programs for ASEAN overstate reality or simply restate ongoing activities, Asian Affairs Department ASEAN Division Deputy Director He Xiangqi told Emboffs April 23. The \$10 billion China-ASEAN investment cooperation fund, for example, is new this year, He explained, but China will initially only provide \$1 billion. Likening the program to a private equity fund (perhaps similar to the China-Africa Development Fund described in ref A), He stated the remaining monies would be contributed by other entities such as commercial banks and the European Union. "Even the United States" could contribute, she suggested. Deputy Director He said the fund would be managed by China's Export-Import Bank.

[1](#)4. (C) Press reports correctly stated that the cooperation fund will target infrastructure projects, He continued. ASEAN is focused on achieving better "connectivity" between member nations and in reducing the development gap between the four "new" ASEAN countries (Laos, Cambodia, Vietnam, Burma) and the "old" ASEAN countries. Much of the funding will go to projects already underway, she said.

\$15 Billion in Commercial Loans

15. (C) Deputy Director He confirmed China will extend \$15 billion in credit to ASEAN over the next three to five years. She explained that, with the exception of \$1.7 billion in loans with preferential terms, most of the credit would be in the form of commercial loans from Chinese banks.

Money for Capacity Building

16. (C) The China-ASEAN cooperation fund and the ASEAN plus China, Japan and South Korea cooperation fund (ASEAN 3 fund) support training, exchanges, and other capacity-building projects, He said. While the China-ASEAN program has been in existence for six or seven years, the ASEAN 3 program only commenced in 2007. He said China, Japan and ROK will each contribute \$900,000 and ASEAN nations will pitch-in \$300,000 for a total of \$3 million. The details on how to use the ASEAN 3 fund was to have been a topic of discussion at the ASEAN summit in Thailand in early April but the summit's disruption (ref B) has delayed these talks, she explained.

17. (C) He stated that, similar to the Asian financial crisis in 1997, Beijing is using this announcement to show its support for ASEAN during the current economic crisis. China may have its own "financial problems" and "internal issues," but it still wants to assist its Asian neighbors.

China-ASEAN FTA Delayed

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18. (C) He said that the disruption of the ASEAN summit has also indefinitely delayed the signing of the China-ASEAN investment agreement, the final chapter of the China-ASEAN Free Trade Agreement (FTA). She stated China's Ministry of Commerce (MOFCOM) is anxious to conclude an FTA with ASEAN but, given doubts as to "when or even whether" Thailand will be able to convene another summit, MOFCOM is looking for a different occasion to sign the agreement.

Human Rights Body In ASEAN?

19. (C) Asked her views on the potential for development in the political and social pillars of ASEAN, Deputy Director He noted that, to date, ASEAN has been focusing on "the need to narrow the gap" economically between member states rather than on political or social integration. He recently accompanied China's new ambassador to ASEAN, Xue Hanqin, on an official visit to several ASEAN nations and noticed distinct changes in the political and social environments. She noted increased NGO activity, particularly after the launch of the ASEAN charter in 2007. Deputy Director He also commented that China was following with interest the activities of the ASEAN Human Rights Body (AHRB) and expected member nations to agree on the AHRB's terms of reference by the end of the year. (Note: Ambassador Xue was previously a representative to the Organization for the Prohibition of Chemical Weapons and the head of MFA's Department of Treaty and Law. She will be resident in Beijing. End Note).

Don't Mention the "B" Word

110. (C) Though ASEAN may look to the European Union (EU) as an example of integration, ASEAN countries have different political systems and different religions and therefore could not emulate the EU. In addition, ASEAN has "the Burma problem." He said her ASEAN interlocutors rarely discuss Burma with Chinese officials as they want to maintain the appearance of ASEAN unity. "They don't want to mention Burma

out loud." Deputy Director He also noted that while ASEAN's economic integration would take years to accomplish, political integration would take even longer.

Too Many Meetings

¶11. (C) The December 2008 trilateral meeting between China, Japan and Korea was a source of great angst for ASEAN nations, He continued. ASEAN governments are afraid closer relations between the three may result in diminished support for ASEAN. However, China believes that, particularly in light of the global financial crisis, increased dialogue among Asia's leading economic engines is critical. Beijing is trying to have meaningful participation in all the regional bodies, including APEC, the Asian Regional Forum and ASEAN, but there are "too many meetings," He complained.

Comment

¶12. (C) Despite the media fanfare surrounding China's support for ASEAN, the reality of the package appears to be much more modest. Still, with Asian economies struggling, any amount of support is bound to win Beijing points with its neighbors. End Comment.
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